

Message Text

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ACTION EUR-25

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E. O. 11652: N/ A

TAGS: ECON, OECD, NL

SUBJECT: EDRC REVIEW OF THE NETHERLANDS, MAY 23

1. SUMMARY. EDRC NOT ABLE TO COME UP WITH SOLID RECOMMENDATION FOR ECONOMIC POLICY STANCE IN THE NETHERLANDS. MAJORITY DELS INCLINED TO THINK INFLATION PROBLEM IS, OR SOON TO BE, DEMAND- LED. THIS VIEW HINGES ON WHAT ONE THINKS IS DEFINITION OF FULL- EMPLOYMENT IN NETHERLANDS. DUTCH DELS CAUTIOUS TO AVOID ANY PRECISE FIGURE IN THIS RESPECT, BUT ADMITTED FULL EMPLOYMENT DEFINITION BEING REVISED WITH HIGHER FIGURE FOR UNEMPLOYMENT. END SUMMARY.

2. DUTCH, LED BY MR. A. PUTTER FROM MIN. OF ECON. AFF., AGREED WITH SECRETARIAT'S FORECAST FOR STRONG GROWTH OF DOMESTIC DEMAND. THEY STRESSED BOTH REAL GROWTH AND PRICES RISING FASTER THAN EARLIER EXPECTED. ON BALANCE OF PAYMENTS SIDE, HOWEVER, DUTCH LESS BULLISH. THEY CITED RISE OF IMPORT PRICES AND DOMESTIC UNIT WAGE COSTS AS REASONS FOR EXPECTING LESS CURRENT BALANCE SURPLUS IN 1973 THAN FORECAST BY SECRETARIAT.

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3. EDRC DID NOT REACH FIRM DECISION AT REVIEW ON WHAT DUTCH POLICY STANCE SHOULD BE. MOST DELS (INCLUDING US), HOWEVER, FELT PROBLEM IS OR SOON LIKELY TO BE ONE OF EXCESS DEMAND, WHICH WOULD CALL FOR TRADITIONAL DEMAND MANAGEMENT RESPONSE. EDRC DELS ALSO STRESSED DUTCH ECONOMY SHOWED NEED FOR ACCELERATED EXPENDITURES IN PRIVATE INVESTMENT.

4. EDRC EXPLORED KEY QUESTION WHETHER FULL CAPACITY UTILIZATION PERHAPS NOW REACHED AT HIGHER LEVEL OF OVER-ALL UNEMPLOYMENT OF LABOR THAN WAS CASE FORMERLY. IN THIS RESPECT, DUTCH DEL MUCH APPRECIATED EMPHASIS WHICH DRAFT SURVEY PLACES ON LABOR MARKET SITUATION. WHILE NOT HAZARDING PRECISE GUESS ON NEW FULL- EMPLOYMENT NUMBER, DUTCH SAID THAT FIGURE OF 1.5 PER CENT UNEMPLOYMENT USED IN PAST AS MEASURE OF FULL EMPLOYMENT WAS BEING REVISED UPWARD.
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*** Current Classification *** LIMITED OFFICIAL USE

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